

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

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August 26, 2002

Mr. John P. Barber, Executive Vice President & CFO
White Oak Manor, Inc.
Post Office Box 3347
Spartanburg, South Carolina 29304-3347

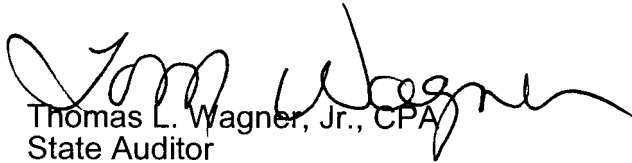
Re: AC# 3-WOY-J9 – White Oak Manor – York

Dear Mr. Barber:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1998 through September 30, 1999. That report was used to set the rate covering the contract period beginning October 1, 2000.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.


Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/kss

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Joseph Hayes

**WHITE OAK MANOR – YORK
YORK, SOUTH CAROLINA**

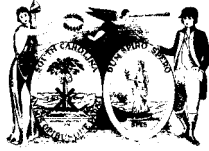
**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2000
AC# 3-WOY-J9**

**AGREED-UPON PROCEDURES REPORT
ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

January 23, 2002

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with White Oak Manor – York, for the contract periods beginning October 1, 2000 and for the twelve month cost report period ended September 30, 1999, as set forth in the accompanying schedules. The management of White Oak Manor – York is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

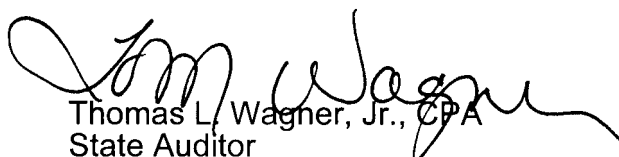
The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by White Oak Manor – York, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and White Oak Manor – York dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
January 23, 2002

These agreed-upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.



Thomas L. Wagner, Jr., CPA
State Auditor

WHITE OAK MANOR – YORK
Computation of Rate Change
For the Contract Period
Beginning October 1, 2000
AC# 3-WOY-J9

	10/01/00- <u>09/30/01</u>
Interim Reimbursement Rate (1)	\$106.85
Adjusted Reimbursement Rate (2)	<u>105.11</u>
Decrease in Reimbursement Rate	\$ <u><u>1.74</u></u>

- (1) Interim reimbursement rate from the State Health and Human Services Computation of Reimbursement Rate dated August 2, 2001.
- (2) As provided under Article IV, Section E of the Provider's contract dated as October 1, 1994 as amended, "The Provider agrees that the rate charged to DH&HS for service to an eligible Medicaid recipient under this contract will not be greater than that charged for a similar service to a private pay patient." Accordingly, the reimbursement rate is limited to the customary charges to private pay clients.

WHITE OAK MANOR – YORK
Computation of Adjusted Reimbursement Rate
For the Contract Period Beginning October 1, 2000
AC# 3-WOY-J9

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$53.55	\$61.52	
Dietary		9.77	10.56	
Laundry/Housekeeping/Maintenance		<u>9.37</u>	<u>9.12</u>	
Subtotal	\$ <u>5.68</u>	72.69	81.20	\$ 72.69
Administration & Medical Records	\$ <u>2.29</u>	<u>8.91</u>	<u>11.20</u>	<u>8.91</u>
Subtotal		81.60	\$ <u>92.40</u>	81.60
<u>Costs Not Subject to Standards:</u>				
Utilities		2.59		2.59
Special Services		.06		.06
Medical Supplies & Oxygen		4.30		4.30
Taxes and Insurance		1.45		1.45
Legal Fees		<u>.01</u>		<u>.01</u>
TOTAL		\$ <u>90.01</u>		90.01
Inflation Factor (3.20%)				2.88
Cost of Capital				9.65
Cost of Capital Limitation				(1.65)
Profit Incentive (Maximum 3.5% of Allowable Cost)				2.29
Cost Incentive				5.68
Effect of \$1.75 Cap on Cost/Profit Incentives				(6.22)
Nurse Aide Staffing Add-On 10/1/2000				2.05
Nurse Aide Staffing Add-On 10/1/1999				<u>2.10</u>
 ADJUSTED REIMBURSEMENT RATE				 \$ <u>106.79</u>

WHITE OAK MANOR – YORK
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1999
AC# 3-WOY-J9

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,928,497	\$ -	\$ -	\$1,928,497
Dietary	351,798	-	-	351,798
Laundry	64,723	-	-	64,723
Housekeeping	152,060	-	-	152,060
Maintenance	120,637	-	-	120,637
Administration & Medical Records	320,788	-	-	320,788
Utilities	93,437	-	-	93,437
Special Services	2,169	-	-	2,169
Medical Supplies & Oxygen	154,864	-	-	154,864
Taxes and Insurance	52,123	-	-	52,123
Legal Fees	414	-	-	414
Cost of Capital	<u>290,257</u>	<u>92,188</u> (2)	<u>1,234</u> (1)	<u>381,211</u>
Subtotal	3,531,767	92,188	1,234	3,622,721

WHITE OAK MANOR – YORK
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1999
AC# 3-WOY-J9

<u>Expenses</u>	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustments Debit	Credit	Adjusted Totals
Ancillary	18,496	-	-	18,496
Non-Allowable	<u>(123,602)</u>	<u>1,234</u> (1)	<u>92,188</u> (2)	<u>(214,556)</u>
Total Operating Expenses	<u>\$3,426,661</u>	<u>\$93,422</u>	<u>\$93,422</u>	<u>\$3,426,661</u>
Total Patient Days	<u>36,012</u>	<u>-</u>	<u>-</u>	<u>36,012</u>
Cost of Capital Patient Days	<u>36,012</u>	<u>3,504</u> (3)	<u>-</u>	<u>39,516</u>
TOTAL BEDS	<u>109</u>			

WHITE OAK MANOR – YORK
Adjustment Report
Cost Report Period Ended September 30, 1999
AC# 3-WOY-J9

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$ 5,919	
	Nonallowable	1,234	
	Other Equity	47,785	
	Fixed Assets		\$ 53,704
	Cost of Capital		1,234
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304		
2	Cost of Capital	92,188	
	Nonallowable		92,188
	To adjust Capital Return State Plan, Attachment 4.19D		
3	<u>Memorandum Entry:</u> To increase patient days applicable to cost of capital by 3,504 from 36,012 to 39,516 days to reflect addition Of 10 beds effective June 8, 2000		
		_____	_____
	TOTAL ADJUSTMENTS	\$ <u>147,126</u>	\$ <u>147,126</u>

Due to the nature of audit reporting,
adjustment descriptions and references
contained in the preceding Adjustment
Report are provided for general
guidance only and are not intended to
be all-inclusive.

WHITE OAK MANOR – YORK
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1999
AC# 3-WOY-J9

	<u>Old Beds</u>	<u>New Beds</u>	<u>New Beds</u>	
Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.3156</u>	<u>2.3156</u>	<u>2.3156</u>	
Deemed Asset Value (Per Bed)	36,165	36,165	36,165	
Number of Beds	<u>66</u>	<u>33</u>	<u>10</u>	
Deemed Asset Value	2,386,890	1,193,445	361,650	
Improvements Since 1981	841,619	21,382	-	
Accumulated Depreciation at 9/30/99	<u>(502,910)</u>	<u>(130,722)</u>	<u>(6,367)</u>	
Deemed Depreciated Value	2,725,599	1,084,105	355,283	
Market Rate of Return	<u>.060</u>	<u>.060</u>	<u>.060</u>	
Total Annual Return	163,536	65,046	21,317	
Return Applicable to Non-Reimbursable Cost Centers	(121)	(48)	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>-</u>	
Allowable Annual Return	163,415	64,998	21,317	
Depreciation Expense	74,813	54,178	4,557	
Amortization Expense	1,687	-	-	
Capital Related Income Offsets	(2,439)	(1,220)	-	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(69)</u>	<u>(26)</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	237,407	117,930	25,874	\$381,211
Total Patient Days (Minimum 96% Occupancy)	<u>24,008</u>	<u>12,004</u>	<u>3,504</u>	<u>39,516</u>
Cost of Capital Per Diem	\$ <u>9.89</u>	\$ <u>9.82</u>	\$ <u>7.38</u>	\$ <u>9.65</u>

WHITE OAK MANOR – YORK
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1999
AC# 3-WOY-J9

	<u>Old Beds</u>	<u>New Beds</u>	<u>New Beds</u>
6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$3.18	\$ N/A	\$ N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$7.17</u>	\$ <u>9.82</u>	\$ <u>7.38</u>
Reimbursable Cost of Capital Per Diem*		\$ 8.00	
Cost of Capital Per Diem		<u>9.65</u>	
Cost of Capital Per Diem Limitation		\$ (<u>1.65</u>)	
* [(7.17 X 24,008) + 117,930 + 25,874]/39,516			

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